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September 30, 2013

VIA HAND DELIVERY
Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-12-27
Net Metering – Idaho Power Company's Comments in Response to Order No. 32880

Dear Ms. Jewell:

Enclosed for filing in the above matter are an original and seven (7) copies of Idaho Power Company's Comments in Response to Order No. 32880.

Sincerely,

Lisa D. Nordstrom

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LDN:evp
Enclosures

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF IDAHO POWER COMPANY'S APPLICATION FOR AUTHORITY TO MODIFY ITS NET METERING SERVICE AND TO INCREASE THE GENERATION CAPACITY LIMIT.	CASE NO. IPC-E-12-27 IDAHO POWER COMPANY'S COMMENTS IN RESPONSE TO ORDER NO. 32880

Idaho Power Company ("Idaho Power" or "Company") respectfully submits the following Comments in response to the Idaho Public Utilities Commission's ("Commission") Order No. 32880, in which the Commission posed: "If a net metering customer takes service through multiple meters at one or more premises, should the customer be allowed to apply net metering credits to offset usage on the other meters? If so, what conditions should apply?"[1]

Within the context of net metering, Idaho Power defines meter aggregation as the ability to use generation at one net meter to offset consumption at one or more separate meters. In the paragraphs that follow, Idaho Power responds to the questions posed by the Commission, beginning with a description of the challenges meter aggregation

[1] Order No. 32880 at 1, Case No. IPC-E-12-27.

presents to a utility and its customers. The Company then discusses its preferred approach to limit the offset of consumption to the single retail service point associated with a net metering system. The Company concludes with a discussion of specific provisions that should be applied if the Commission ultimately determines that some level of meter aggregation should be allowed.

I. METER AGGREGATION CHALLENGES

A. Meter Aggregation Exacerbates the Potential Under-Recovery of Fixed Costs from Net Metering Customers.

As discussed in the Company's initial filing, a potential cross-subsidy between net metering and standard service customers exists in the crediting of net metering customers at the full retail rate for each kilowatt-hour ("kWh") of energy produced. For example, a residential net metering customer who achieves net zero usage over the course of a billing month pays a flat charge of $5.00. According to the Company's class cost-of-service study, however, the cost of providing customer-related services and infrastructure to a residential customer is approximately $21 per month, and the cost of providing one kilowatt ("kW") of capacity on the local distribution system is approximately $1.50 per kW per month. Because the flat $5.00 charge does not cover the fixed costs required to serve a residential customer, residential net metering customers can avoid paying for a portion of the services and infrastructure utilized by all customers. Consequently, recovery of these costs is shifted to customers without the means or desire to install their own net metering systems, resulting in a cross-subsidy between net metering customers and standard service customers.

Allowing customers to apply generation from a net metering system to multiple premises increases the potential for this cross-subsidy to occur. Under an unlimited

meter aggregation approach, net metering customers can avoid paying for not only the infrastructure utilized to deliver electricity to the service point associated with the net metering system, but also the infrastructure necessary to serve other premises located throughout the Company's service area. This is problematic in that it allows net metering customers to further avoid paying for the costs of infrastructure and services they are using, thus increasing the potential magnitude of the fixed cost cross-subsidy. In the case of a customer who owns multiple premises in varying geographic locations, aggregated credits enable the customer to avoid paying for the cost of local distribution infrastructure that is not directly tied to the net metering system. It is not logical to allow generation in one geographic area to offset the amount a customer pays for local distribution infrastructure in another.

B. Meter Aggregation Does Not Align With the Intent of Net Metering Service as an Avenue to Offset Usage and Diminishes the Incentive for Customers to Right-Size Generation Units.

As stated on page 15 of Commission Order No. 32846, "The net metering tariff is for those who wish to offset a portion of their load." The Company agrees, and believes that a net metering system should be installed at a nameplate capacity that is commensurate to the load it is intended to offset. While the Company recognizes that disparate seasonal consumption and generation profiles may result in over-or under-production during certain months, the Company does not believe that a net metering customer should receive financial benefits for over-sizing a system that consistently generates more electricity than is consumed at the associated retail service point. An overly broad ability to aggregate meters would allow net metering customers to game aggregation rules to effectively become power sellers compensated at full retail rates.

As long as a customer has sufficient load located throughout the Company's service area in his or her name, an oversized net metering system at a central location could be utilized to generate financial benefits by offsetting consumption at different geographic locations. As stated by the Commission on page 15 of Order No. 32846, "Those wishing to be wholesale power providers should look to Schedule 86 as the vehicle for that type of transaction." The Company agrees, and believes Schedule 86 is the appropriate avenue for customers who wish to sell power to the Company for financial compensation.

C. Utility Billing Systems Are Not Designed to Bill Net Metering on an Aggregated Basis.

A key consideration for any proposed modification to the billing treatment of excess energy is the ability of the Company to bill customers in an accurate, consistent, and efficient manner. As discussed in its Petition for Clarification, Idaho Power recently implemented a new customer billing system in September of 2013. The aggregation of positive and negative reads among multiple meters is not a built-in functionality within this system nor within any utility billing system available on the market. Consequently, the only option for billing aggregated meters involves customization of the billing system combined with manual intervention.

It should be noted that based on current participation levels, an estimated 24 net metering customers would potentially benefit from meter aggregation. Due to the incremental cost of customizing the billing system to support aggregated billing and the ongoing administrative costs of performing manual intervention, the Company does not believe the increase in functionality necessary to bill net metering on an aggregated basis would justify the cost. Based on the Company's current experience with its new

Customer Relationship & Billing (CR&B) system, it estimates that the customization necessary to support aggregated net metering billing would initially cost approximately $60,000. Additional costs would be incurred with each system upgrade to ensure the customization remains in place and continues to work as initially intended. On an ongoing basis, the administrative costs to manually bill aggregated net metering accounts would be approximately $10.00 per meter transaction based on an estimated 15 minutes for each transaction and the fully-loaded hourly labor cost for a Customer Service Representative II. This ongoing administrative cost would vary depending on the complexity of the meter aggregation rules, the complexity of the rate schedules associated with each meter, and the total number of meters eligible for aggregation. In addition to incremental administrative costs, manual intervention would also increase the potential for human error throughout the billing process.

II. IDAHO POWER'S POSITION AND RECOMMENDATION

Generation Should Only be Allowed to Offset Consumption at the Retail Service Point Associated with the Net Metering System.

The Company's initial proposal in this case was to implement a kWh credit system that allows net metering customers to offset billed kWh charges at the retail service point associated with the net metering system. Following the issuance of Order No. 32880, the Company maintains its position that meter aggregation should not be allowed for net metering customers with multiple meters and/or premises. In light of the challenges described above, the Company believes that allowing generation to offset consumption at a single metered service point provides a simple and effective approach that preserves the intent of net metering as an avenue to offset consumption, while

allowing net metering customers to receive the benefits of their systems as long as they are utilized in a manner consistent with the intent of this service.

In regard to fixed cost recovery, the Company's preferred approach limits the potential cross-subsidy between net metering customers and standard service customers by limiting the ability of net metering customers to avoid paying for infrastructure and services utilized to serve different metered sites. Limiting meter aggregation also encourages customers to right-size systems to correspond to the associated retail load at the site of the net metering system, as customers would only receive financial benefits if generated energy is utilized to offset consumption at the metered site. Additionally, this approach would allow the Company and its customers to avoid the incremental administrative costs associated with billing potentially complex meter aggregation transactions by hand.

For these reasons, Idaho Power believes its initial approach to meter aggregation is still appropriate. The Company's preferred approach aligns the provisions of net metering with the intent of this service and eliminates the costs associated with meter aggregation that would eventually be passed on to customers. The Company believes this approach offers a simple and efficient solution that adequately addresses each of the challenges described above.

III. ALTERNATIVE APPROACH

If the Commission Believes Meter Aggregation is Appropriate, Eligibility Should be Limited to Meters Located on the Same Contiguous Property as the Net Metering System, Subject to Specific Qualifying Criteria.

While Idaho Power maintains that meter aggregation should not be allowed for net metering customers with multiple metered sites, the Company recognizes that the

Commission may ultimately determine that some level of meter aggregation is appropriate. In the event that meter aggregation is approved, several important provisions must be included to ensure that it is implemented in a logical, efficient, and effective manner.[2]

In developing its alternative approach, Idaho Power researched the impacts of meter aggregation rules currently in effect for PacifiCorp, Portland General Electric, and Puget Sound Energy in Oregon and Washington. In both jurisdictions utilities are subject to state legislative rules regarding meter aggregation.[3] Because these rules address many of the issues relevant to the questions posed by the Commission in Order No. 32880, Idaho Power used existing meter aggregation provisions in Washington and Oregon as a starting point for its alternative proposal in this case. Representatives from the Company's Finance, Metering, Regulatory Affairs, Billing, and Customer Service departments then developed an Idaho Power-specific proposal that would reasonably address the challenges associated with meter aggregation in the Company's service area.

The specifics of the Company's alternative approach are detailed in the sections that follow. The Company has included specific proposed language and supporting rationale for each provision.

A. Eligibility Criteria

Proposed Language: kWh credits from a Net Metering System may be applied to consumption at a separate meter if the following conditions are met:

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[2] While Section 5 of Rule C prohibits the aggregation of meter readings for billing purposes, the Company does not believe the transfer of kWh credits proposed in this section violates Rule C.

[3] OAR 860-039-0065, RCW 80.60.020, and RCW 80.60.030(4).

i. Meter is located at the customer's net metering site or on the same contiguous property as the Net Metering System. Contiguous property is defined as a single piece of land even if it is separated by public or railroad rights of way; and

ii. Meter is served by the same primary feeder as the Net Metering System at the time the new system application is submitted; and

iii. Electricity recorded by the net meter and the aggregated meter is solely for the net metering customer's requirements.

Rationale: Limiting aggregation to meters located on contiguous property served by the same primary feeder would reasonably limit the potential for increasing the magnitude of the fixed cost cross-subsidy. These provisions would effectively discourage customers from over-sizing systems to offset usage at multiple non-contiguous sites in order to avoid paying for services and distribution equipment not directly tied to the net metering system.

B. <u>Billing Mechanics</u>

Proposed Language: Unused Excess Net Energy credits will be applied to eligible meters in the following manner:

i. Transfer of excess credits between metered accounts will occur on an annual basis; and

ii. Customer must annually declare and confirm eligible accounts in the month of January; and

iii. Idaho Power must annually perform the transfer of credits as specified by the customer no later than March 31.

Rationale: As discussed above, the Company cannot transfer kWh credits on an automated basis within its billing system. Consequently, any meter aggregation must be performed manually by Idaho Power staff, resulting in an incremental administrative cost for every manual transaction that must be recorded. Transferring credits on an annual basis allows customers to accumulate and utilize billing credits while minimizing the number of required manual transactions and the associated administrative costs. Providing Idaho Power with a reasonable timeframe to perform these manual transactions allows the Company to avoid potential staffing issues associated with these annual transactions that would result in additional administrative costs.

C. Aggregation Priority

Proposed Language: For customers with more than one meter eligible for aggregation, meters must be prioritized to determine the order in which credits will be applied.

i. Meter priority for eligible meters will be determined by the customer on an annual basis in January of each year; and

ii. Meters on the same rate schedule as the Net Metering System must be prioritized above meters on differing rate schedules.

Rationale: Due to the manual nature of these transactions, meters under the same rate schedule should be required to be prioritized higher than meters under

different rate schedules to limit the additional complexity associated with applying credits across differing rate structures. This provision would also limit cost recovery issues that would result from the crediting of consumption from one rate class through generation produced by another. Without this provision, net metering customers could game the Company's current retail rate structures, thereby increasing the potential for the under-recovery of fixed costs.

To illustrate, a customer under Schedule 24 would be incented to prioritize a Schedule 1 meter ahead of another Schedule 24 meter because Schedule 1 energy rates are higher than those in Schedule 24. These rates are higher because Schedule 1 currently does not have a demand charge, meaning nearly all fixed costs associated with this rate class are recovered through volumetric energy rates. Because net metering customers are compensated for generation at retail rates, higher volumetric energy charges result in higher compensation for each kWh produced. Failing to include the provisions above would exacerbate the potential for fixed cost cross-subsidies by allowing customers to prioritize meters in a manner that maximizes the avoidance of fixed cost recovery.

D. Meter Aggregation Fee

Proposed Language: For each aggregated meter, customers will pay an annual meter aggregation fee of $10.

Rationale: Aggregating kWh credits for net metering customers imposes a real cost on the Company (and subsequently its customers) that would not exist otherwise. In its discussions with other utilities, the Company learned that manual billing for meter aggregation transactions is commonplace, as none of the investor-

owned utilities in Oregon or Washington utilize billing systems that can automate these transactions. Consequently, governing bodies in both Washington and Oregon approved rules allowing utilities to charge a meter aggregation fee based on the incremental costs associated with meter aggregation. Puget Sound Energy and PacifiCorp, for example, currently charge a monthly meter aggregation fee in Washington that is equivalent to the monthly service charge for the applicable standard rate schedule. Using Idaho Power's Schedule 1 to illustrate, under the terms of the Washington meter aggregation charge, Idaho Power's net metering customers would pay an additional $5.00 service charge per month for each meter requested for aggregation, equating to an annual charge of $60 per meter. While utilities are authorized to propose similar charges in the state of Oregon, such fees have not yet been implemented.

The Company's proposed meter aggregation fee was calculated based on the expected labor cost associated with completing a manual meter aggregation transaction. As described above, based on an estimated 15 minute manual process and the fully-loaded hourly labor cost for a Customer Service Representative II, each transaction would result in an estimated $10 labor cost. Unlike the monthly charges currently in effect in Washington, the Company is proposing to apply this fee on an annual basis to align with the annual transfer of kWh credits. As stated above, the annual transfer of credits is intended to minimize administrative costs for both the Company and its customers.

IV. CONCLUSION

Billing net metering customers on an aggregated basis presents a utility and its customers with many challenges, including a potential increase to the magnitude of fixed cost cross-subsidies between net metering and standard service customers, a lower incentive to right-size systems to coincide with consumptive needs, and an increase to administrative costs for the Company and its customers. In light of these challenges it is the Company's recommendation that generation from net metering systems be limited to offset usage at the single metered service point associated with each system. If the Commission ultimately decides to permit some level of meter aggregation, Idaho Power recommends that it does so as outlined in Section III above to ensure that the challenges detailed in these comments are adequately addressed.

DATED at Boise, Idaho, this 30th day of September 2013.

Lisa D. Nordstrom

LISA D. NORDSTROM
Attorney for Idaho Power Company

CERTIFICATE OF MAILING

I HEREBY CERTIFY that on the 30th day of September 2013 I served a true and correct copy of the within and foregoing IDAHO POWER COMPANY'S COMMENTS IN RESPONSE TO ORDER NO. 32880 upon the following named parties by the method indicated below, and addressed to the following:

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